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# Summary of Legislation Affecting the Department of Revenue

64<sup>th</sup> Legislative Assembly  
2015 Regular Legislative Session



*June 2015*

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of Revenue  
64<sup>th</sup> Legislative Assembly – 2015 Legislative  
Session**

*Table of Contents*

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Property Tax.....	1
Individual and Corporate Income Taxes .....	7
Natural Resource Taxes .....	14
Liquor and Tobacco Taxes.....	19
Miscellaneous Taxes and Fees.....	21
Revenue Administration .....	24
Revenue-related Research .....	30
DOR-Sponsored Legislation .....	31

# Property Tax

**HB 41**      Short Title: **Revise tax appeal laws**

Primary Sponsor: Chuck Hunter

Bill Description: HB 41 provides that the state tax appeal board's review of industrial property appeals is heard as if no decision had been previously rendered. It also provides the taxpayer with the choice to appeal the department's assessment of industrial property to the state tax appeal board or the county tax appeal board. This legislation should not have a fiscal impact to the state.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): n.a.

**HB 56**      Short Title: **Revising subdivision classifications for ag land valuation**

Primary Sponsor: Dick Barrett

Bill Description: HB 56 modified statute to comply with the Montana Supreme Court's decision in *Montana v. Heidecker*. In that case, the court ruled that DOR could not interpret covenants to change the classification of agricultural land (class 3).

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Effective on passage and approval

Applicability Date(s): n.a.

**HB 114**      Short Title: **Revise tax increment finance district remittance laws for schools**

Primary Sponsor: Mike Miller

Bill Description: HB 114 clarifies how tax increment remittances to school districts are to be used. Any TIF increment remitted to a school district must be used to reduce property taxes or designated as operating reserve for the fiscal year following the fiscal year in which the remittance was received.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Effective on passage and approval

Applicability Date(s): Applies to tax increment financing district created after December 31, 1979. School districts that currently have a remittance agreement must prepare a transition plan that is limited to paying existing contractual obligations.

**HB 156**      Short Title: **Revise tax laws related to pollution control equipment**

Primary Sponsor: Mike Miller

Bill Description: HB 156 exempts pollution control and carbon sequestration equipment placed in service after January 1, 2014 (TY 2015) from property taxation. Equipment related to the sequestration of carbon dioxide placed in service after January 1, 2014 is granted a 50% reduction in tax rates for the first 15 years. There are projects in development that may be able to qualify for property tax exemptions under the provisions of this bill. The impacts of these projects and their potential exemptions have not been contemplated as part of this analysis. As a result, due to the lack of precise data on pollution control equipment, the long-term fiscal impact is likely to be understated.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$65,000	-\$132,000	-\$179,000	-\$226,000

Effective Date: Legislation is effective on passage and approval. HB 156 terminates December 31, 2025.

Applicability Date(s): TY 2015 (FY2016) will be the first year HB 156 will impact tax revenues.

**HB 389**      Short Title: **Require department of revenue review of tax exempt properties**

Primary Sponsor: Jeff Essmann

Bill Description: HB 389 requires owners of tax exempt property to apply for the property tax exemptions allowed under Chapter 15, part 2, MCA. Taxpayers are to reapply every six years with initial applications submitted by March 1, 2016. However, the bill is only applicable for one six year cycle.

The Department of Revenue is to establish a fee for these applications, commensurate with program administrative costs. The fees are to be deposited into a new property exemption state special revenue fund. The department is to create and maintain a public internet database of tax exempt parcels which is organized by county and type of exemption. HB 389 will cost approximately \$125,000 in the first year and \$86,000 on an ongoing basis, but this will be funded through a state special revenue fund. The department must report biennially to the Revenue and Transportation Interim Committee on its progress on the review and determination process.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Legislation is effective on passage and approval. HB 389 terminates December 31, 2021.

Applicability Date(s): TY 2015-TY 2021 (FY 2016-FY 2022).

**SB 54**      Short Title: **Authorize public disclosure of real estate sales prices for tax appraisals**

Primary Sponsor: Dick Barrett

Bill Description: SB 54 revises the Realty Transfer Act, providing that anyone who objects to the results of property appraisal and signs a confidentiality agreement may receive comparable sales data used by the department in their market model area.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Passage and approval

Applicability Date(s): n.a.

**SB 111**     Short Title: **Clarify wind generation facility impact fee for local governmental units.**

Primary Sponsor: Duane Ankney

Bill Description: SB 111 adds clarifying language to 15-24-3004, MCA. Wind generation facilities are currently required to pay up to a 0.5% impact fee on the total cost of the wind project for each year of the first three years after construction commences. This bill simply clarifies who shall pay the fee and how often the fee will be paid. These fees are assessed and distributed by local governments, and there is not anticipated to be a fiscal impact to the state.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Legislation is effective on passage and approval.

Applicability Date(s): n.a.

**SB 122**     Short Title: **Encourage manufacture of ammunition in Montana to ensure availability**

Primary Sponsor: Matthew M. Rosendale

Bill Description: SB 122 provides an exemption to statewide property tax mills and other business equipment taxes for any person, or

corporation, engaged in the manufacture of small arms ammunition components.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Upon passage and approval.

Applicability Date(s): Tax years after December 31, 2015.

**SB 157**     Short Title: **Generally revise tax reappraisal laws**

Primary Sponsor: Bruce Tutvedt

Bill Description: SB 157 revises property tax laws by changing the reappraisal cycle from a six-year cycle to a two-year cycle for class 3 and class 4; adjusts the rates at which the market value of property is taxed to maintain taxable value neutrality between residential, agricultural, and commercial properties on a statewide basis; extends the base period of the data for the valuation of forest land; increases the rate for class 10 property from 0.29% to 0.37%; and revises Montana's Property Tax Assistance Program and Montana Disabled Veteran Property Tax Relief Program. The changes in taxable value under this bill create a guaranteed tax base aid (GTB) savings beginning in FY 2016. This bill is effective on passage and approval and applies retroactively to TY 2015.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$10,983,867	\$9,289,306	\$7,168,648	\$5,211,480

Effective Date: Legislation is effective on passage and approval.

Applicability Date(s): TY 2015 (FY 2016) will be the first year the tax effects will be realized.

**SB 308**     Short Title: **Provide property tax exemption for certain land leased by local governments**

Primary Sponsor: Jennifer Fielder

Bill Description: SB 308 provides a property tax exemption for certain land leased by local governments for public park, recreation, or landscape beautification purposes. This exemption must be applied for by the municipality or taxing unit and is limited to 10 acres of land which are being leased for less than \$100 a year.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
Unknown	Unknown	Unknown	Unknown

Effective Date: Effective on passage and approval

Applicability Date(s): Applies retroactively to tax year beginning after December 31, 2014

# Individual and Corporate Income Taxes

**HB 122**     Short Title: **Clarify the requirements for Ag employees wage withholding**

Primary Sponsor: Lee Randall

Bill Description: HB 122 clarifies wage withholding requirements to exclude agriculture wages from income tax withholding requirements.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: On passage and approval.

Applicability Date(s): Tax years after December 31, 2013.

**HB 379**     Short Title: **Generally revise income tax laws**

Primary Sponsor: Greg Hertz

Bill Description: HB 379

- a) Increases the interest the department may waive from \$100 to \$500 and allows an additional waiver of \$100 per tax period for taxpayers who meet all terms of a payment plan,
- b) Changes the penalty for failing to file a return and pay tax owed by the due date to the greater of \$50 or 5% of the tax due per month, with a maximum penalty of 25% of the tax due, and would eliminate penalties for individual income tax returns that are filed by the October extension deadline,
- c) Changes late payment penalties for taxes other than trust taxes to 0.5% of the amount due per month with a maximum penalty of 12% of the amount due, and makes penalties accrue daily for all taxes,
- d) Imposes penalties for substantial understatement of tax, for purposely and knowingly failing to file a return, for filing a fraudulent return, and for filing a frivolous return,
- e) Removes the 8% floor on the interest rate the department charges on late income tax payments, and
- f) Changes the statute of limitations for individual income tax from five years to three.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	-\$37,100	-\$296,000	\$419,000

Effective Date: Changes to the statute of limitations are effective on passage and approval. The rest of the bill is effective January 1, 2017.

Applicability Date(s): Changes to penalties would apply for tax periods beginning after December 31, 2016. The reduced statute of limitations would apply for tax years beginning after December 31, 2014. The floor on interest would be eliminated after December 31, 2017.

**HB 537**      Short Title: **Revise laws to allow LLCs to transact captive insurance**

Primary Sponsor: Representative Tom Berry

Bill Description: Under current law a limited liability company can be organized for any lawful purpose except for the purposes of banking or insurance. HB 537 allows a limited liability company to be organized for the lawful purpose of captive insurance under Title 22, chapter 28.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Effective upon passage and approval.

Applicability Date(s): The bill became law on April 8, 2015.

**SB 91**      Short Title: **Revising laws related to reciprocal tax collection**

Primary Sponsor: Fred Thomas

Bill Description: This bill clarifies the priority of debts to be offset against tax refunds payable by the state.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: On passage and approval.

Applicability Date(s): n.a.

**SB 175**     Short Title: **Revise tax credit for temporary emergency lodging.**

Primary Sponsor: Senator Cynthia Wolken

Bill Description: In current law, there is a tax credit available to lodging establishments who provide emergency lodging to individuals who are referred to them by a qualified non-profit organization working with domestic violence victims. Lodging establishments may receive a tax credit of \$30 per day for providing up to a maximum of five days of free lodging to someone who has been referred to them through this program. The credit is available for businesses who organized as c or s corporations taxpayers or as partnerships or individual proprietorships.

SB 175 expanded the statutory definition to include families as well as individuals who can be referred and receive lodging eligible to be claimed for the credit by the business. Since this credit was enacted in 2007, a total of \$1,729 in credits have been claimed, or an average of \$288 per year. Fewer than 10 taxpayers have claimed the credit and the credits have only been claimed for tax years 2008 and 2011. Based upon this history, the estimated additional impact to the general fund due to the bill was assumed to be minimal, or \$0.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Upon passage and approval.

Applicability Date(s): Applies to tax years beginning after December 31, 2014.

**SB 309**      Short Title: **Revise laws to incentivize access to isolated state and federal lands**

Primary Sponsor: Jedediah Hinkle

Bill Description: SB 309 expands the Unlocking State Lands personal and corporate income tax credit to include land access to federal land managed by the U.S. Forest Service or Bureau of Land Management.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	-\$19,750	-\$30,000	-\$39,500

Effective Date: January 1, 2016

Applicability Date(s): Tax years after December 31, 2015

**SB 378**      Short Title: **Revise military pay exemption from state income taxes**

Primary Sponsor: Senator Elsie Arntzen

Bill Description: SB 378 clarifies existing law regarding exemption from state income tax of the salary received by a resident of Montana under provisions of Title 10, and Title 32 of federal code for military service in the Montana National Guard if involved in a homeland defense activity as defined under Title 32, U.S.C. 901. As defined in federal code, “the term ‘homeland defense activity’ means an activity undertaken for the military protection of the territory or domestic population of the United States, or of infrastructure or other assets of the United States determined by the Secretary of Defense as being critical to national security, from a threat or aggression against the United States”.

Also exempted is Title 32 National Guard income when there is a contingency operation as defined in 10 U.S.C. The federal code states: “the term ‘contingency operation’ means a military operation that (A) is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or (B) results in the call or order to, or retention on, active duty of members of the uniformed services under section 688, 12301(a), 12302, 12304,

12304a, 12305, or 12406 of this title, chapter 15 of this title, section 712 of title 14, or any other provision of law during a war or during a national emergency declared by the President or Congress”.

The Department of Revenue’s (DOR) understanding is that the instances where these exemptions apply are limited, infrequent and unpredictable. For example, they may apply in cases where the Montana National Guard is called upon to help patrol the nation’s borders. The fiscal note assumes that these exemptions do not apply to income earned from regular training or preparation and maintenance duties performed by the Montana National Guard.

Based on the above information, the revenue impact of the bill is unknown, but believed to be minimal. DOR will make revisions to instructions in the normal updating process and will not incur additional costs due to the bill.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Upon passage and approval.

Applicability Date(s): Applies to tax years beginning after December 31, 2015.

**SB 386**      Short Title: **Revising late file penalty, filing, and withholding for pass-through entities**

Primary Sponsor: Jill Cohenour

Bill Description: SB 386 limits late-filing penalties for pass-through entities to \$2,500 per tax period. It would exempt a pass-through from the requirement to file a composite return of pay tax for its owners if no out-of-state owner has a distributive share of income of at least \$1,000. It would allow a pass-through to apply for a waiver of this requirement if more than half of its income is distributed to a publicly traded partnership or if the pass-through files a statement showing all owners of any Montana second-tier pass-through and that all of that second-tier pass-through’s income from the first-tier pass-through should be reported on a resident individual tax return.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$570,000	\$570,000	\$570,000	\$570,000

Effective Date: October 1, 2015.

Applicability Date(s): Applies to tax years beginning after December 31, 2015.

**SB 399**      Short Title: **Provide for 529 account for disability expenses**

Primary Sponsor: Fred Thomas

Bill Description: SB 399 creates a new type of tax-deferred savings account to be used to pay expenses of a family member with a disability. Deposits of up to \$3,000 a year to the accounts and earnings retained in the accounts would be exempt from the individual income tax. The accounts would be administered through the Department of Public Health and Human Services.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$34,200	-\$31,400	-\$54,421	-\$120,442

Effective Date: Effective on passage and approval.

Applicability Date(s): Applies retroactively to tax years beginning after December 31, 2014.

**SB 410**      Short Title: **Provide for tax credits for contributions to public and private schools**

Primary Sponsor: Llew Jones

Bill Description: SB 410 provides a 100% credit against individual or corporate income tax for contributions to organizations that give scholarships to private school students. It also provides a 100% credit for contributions to an account to fund grants to public schools for supplemental programs.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$5,037,904	-\$5,641,659	-\$6,698,860	-\$7,354,287

Effective Date: January 1, 2016.

Applicability Date(s): Applies to tax years beginning after December 31, 2015

Termination Date: Terminates December 31, 2023.

# Natural Resource Taxes

**HB 67**      Short Title: **Remove WSJ as source for oil prices**

Primary Sponsor: Bridget Smith

Bill Description: HB 67 removes the reference to the Wall Street Journal as the required source for west Texas crude oil prices as the Wall Street Journal no longer posts the west Texas crude oil prices.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): n.a.

**HB 180**      Short Title: **Revise regional water laws**

Primary Sponsor: Bridget Smith

Bill Description: HB 180 makes the treasure state endowment regional water system fund permanent, repealing the termination date. The treasure state endowment regional water system fund is one of the funds comprising the coal severance permanent trust fund. Interest earnings from the treasure state endowment regional water system fund are used to assist local governments in financing regional water, wastewater and sanitary projects.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	-\$360,877	-\$731,798

Effective Date: Passage and approval

Applicability Date(s): n.a.

**HB 226**     Short Titles: **Revise oil and gas laws related to the oil and gas damage mitigation account**

Primary Sponsor: Tom Richmond

Bill Description: HB 226 changes the allocation of the resource indemnity trust fund interest, increasing the distribution to the oil and gas damage mitigation account and decreasing the distribution to the natural resource projects account.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: July 1, 2015

Applicability Date(s): n.a.

**HB 228**     Short Title: **Increase coal board funding until June 30, 2019**

Primary Sponsor: Tom Berry

Bill Description: HB 228 increases the percentage of coal severance tax revenue going to the coal natural resources special revenue account from 2.9% to 5.8% for fiscal years 2016 to 2019.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: July 1, 2015

Applicability Date(s): n.a.

**HB 411**     Short Title: **Generally revise oil and gas tax laws**

Primary Sponsor: Tom Richmond

Bill Description: HB 411 raises the calendar quarter WTI oil price needed for producers to qualify for stripper well exemption production to \$54 a barrel to \$38 a barrel. Stripper wells are taxed at a rate of

6% of value if the WTI price is above the defined level and 0.5% of value if the WTI price is below the defined level.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$120,000	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): n.a.

**HB 421**     Short Title: **Extend termination date of coal severance tax coal washing credit.**

Primary Sponsor: Representative Tom Berry

Bill Description: HB 421 extended the termination date of the coal washing credit by eight years to July 1, 2025 from the current law termination date of July 1, 2017.

This “credit” is not like an income tax credit, but operates more like a deduction used in income tax, but applied to production-related taxes. Under current law (15-35-102(5) MCA) a coal producer is able to subtract or exclude the costs of coal washing from the contract sales price received by the producer. Coal washing is defined as any treatment to remove impurities from underground mined coal, and may include, but is not limited to, operations such as flotation, air, water, or heavy media separation, drying, and related handling (see 15-35-102, MCA).

The net effect of the exclusion is to reduce the contract sales price upon which certain taxes are calculated. Three taxes are affected - the coal severance tax, coal gross proceeds tax and the resource indemnity and ground water assessment tax (RIGWAT).

Coal severance taxes are estimated to be reduced by an average of \$1.2 million annually by the bill. Coal gross proceeds taxes are estimated to be reduced by about \$750,000 a year. The RIGWAT revenues are estimated to be reduced by about \$120,000 a year.

Under state statute, these tax revenues are distributed to the state general fund, state special revenue funds and to local jurisdictions. Starting in FY 2018, HB 421 reduces general fund revenue by

\$669,224, state special fund revenue by \$998,520 and local jurisdiction revenue by about \$400,000.

DOR will not incur costs due to the bill.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	(\$669,224)	(\$669,224)

Effective Date: Upon passage and approval.

Applicability Date(s): Applies to production starting July 1, 2017 and ending July 1, 2025.

**SB 20**      Short Title: **Reallocate metal mines license tax**

Primary Sponsor: Chas Vincent

Bill Description: SB 20 changes the general fund allocation of metalliferous mines license tax from 57% to 47%, and reallocates the revenue to impacted counties.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$1,406,000	-\$1,314,000	-\$1,290,000	-\$1,292,000

Effective Date: July 1, 2015

Applicability Date(s): n.a.

**SB 252**      Short Title: **Revise K-12 funding laws related to oil and natural gas production taxes**

Primary Sponsor: Llew Jones

Bill Description: SB 252 allows school districts receiving oil and natural gas production tax revenue to budget and allocate the revenue in any budgeted fund of the district.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$1,430,265	-\$1,493,215	-\$1,544,766	-\$1,627,108

Effective Date: Passage and approval

Applicability Date(s): n.a.

**SB 260**     Short Title: **Revise education funding laws related to oil and gas production taxes**

Primary Sponsor: Eric Moore

Bill Description: SB 260 distributes excess oil and natural gas production taxes above the limits school districts are allowed to maintain to school districts impacted by oil and gas development.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	-\$4,130,398	-\$4,106,070	-\$4,289,726

Effective Date: Passage and approval; Section 4 is effective July 1, 2016.

Applicability Date(s): n.a.

# Liquor and Tobacco Taxes

**HB 50**      Short Title: **Equal treatment of licensees under liquor control penalty law**

Primary Sponsor: Tom Steenberg

Bill Description: This bill updated the list of liquor licensees subject to investigation by the Department of Justice. Additions to the list include domestic distillers, wine distributors, and importers.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Effective on passage and approval

Applicability Date(s): n.a.

**HB 350**      Short Title: **Revise liquor laws pertaining to the number of sales representatives**

Primary Sponsor: Ray L Shaw

Bill Description: HB 350 increases the maximum number of representatives that a liquor vendor may employ from three to five. A vendor may employ an unlimited number of representatives if the representative is a direct employee, an owner, or an officer of the distillery.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Effective on passage and approval

Applicability Date(s): n.a.

**HB 506**      Short Title: **Allowing microdistilleries to deliver products directly to agency liquor stores**

Primary Sponsor: David (Doc) Moore

Bill Description: HB 506 allows distilleries that produce less than 25,000 gallons of product annually to deliver their product directly to an agency store. The department is instructed to pay the distilleries the freight rate for these direct deliveries beginning July 1, 2018.

There is a one-time cost of \$125,000 in FY 2016 for the department to create an electronic reporting system for distilleries to record their deliveries.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$122,488	\$5,024	\$5,024	\$0

Effective Date: The bill is effective January 1, 2016. The section that specifies that freight payments must be paid to the distilleries has a delayed effective date of January 1, 2018.

Applicability Date(s): n.a.

**SB 193**      Short Title: **Revise agency liquor stores laws**

Primary Sponsor: Bruce Tutvedt

Bill Description: SB 193 increases the state markup on liquor from 40 percent to 40.5 percent causing an increase in revenue for liquor profits and liquor tax. This bill also replaces the current method of calculating each agency liquor store's discount rate (consisting of three separate rates) with one rate that is based on sales.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$157,556	\$132,859	-\$41,575	-\$151,575

Effective Date: The increase in the markup is effective November 1, 2015. The change in liquor store discount rates is effective February 1, 2016.

Applicability Date(s): n.a.

# Miscellaneous Taxes and Fees

**HB 145**     Short Title: **Revise laws related to livestock loss**

Primary Sponsor: Mike Cuffe

Bill Description: HB 145 creates a livestock loss reduction restricted state special revenue fund. \$200,000 will be transferred from the state general fund to the special revenue fund during fiscal years 2016 and 2017.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$200,000	-\$200,000	\$0	\$0

Effective Date: July 1, 2015

Applicability Date(s): n.a.

**HB 246**     Short Title: **Revise laws related to oversize load fee revenue**

Primary Sponsor: Zac Perry

Bill Description: HB 246 clarifies that oversize or overweight load permits are collected and deposited by the Department of Transportation rather than the Department of Revenue.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Passage and approval

Applicability Date(s): n.a.

**HB 617**     Short Title: **Provide scholarship opportunities for higher education in Montana**

Primary Sponsor: Steve Lavin

Bill Description: HB 617 creates new scholarships for Montana high school students that meet the criteria necessary to study within the fields of science, technology, engineering and mathematics. The scholarships will be funded by lottery proceeds, not from the state general fund.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: July 1, 2015

Applicability Date(s): n.a.

**SB 62**      Short Title: **Revise the reporting dates for per capita livestock fees**

Primary Sponsor: Taylor Brown

Bill Description: The department collects fees from livestock owners that fund the Department of Livestock. By March 1, livestock owners are required to report the numbers of each type of stock they had on February 1. The Department of Livestock sets fees and the Department of Revenue sends bills to livestock owners. This bill changes the due date for livestock fees from November 30 to May 31.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Livestock fees are deposited in a state special revenue fund. This bill will not change the amount of revenue collected for each tax year. Moving the due date from the fall to the spring will change the fiscal year when each tax year's revenue is collected. This will result in two years' revenue being collected in FY 2016.

Effective Date: January 1, 2016

Applicability Date(s): SB 62 applies to tax years beginning after December 31, 2015.

**SB 66**      Short Title: **Generally revise laws regarding alternative nicotine or vapor products**

Primary Sponsor: Diane Sands

Bill Description: SB 66 requires a \$5 license fee to sell alternative nicotine and vapor products. The bill also limits the sale of alternative nicotine and vapor products to individuals at least 18 years old.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$8,460	\$8,460	\$8,460	\$8,460

Effective Date: January 1, 2016

Applicability Date(s): n.a.

**SB 180**      Short Title: **Revise the disposition of rental car sales tax**

Primary Sponsor: Brian Hoven

Bill Description: SB 180 changes the source of funding for the senior citizen and persons with disabilities transportation services fund from a motor vehicle fee to 25% of the revenue generated by the state's rental car vehicle sales tax.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
-\$331,841	-\$703,826	-\$743,154	-\$787,575

Effective Date: January 1, 2016

Applicability Date(s): All rental car sales and use taxes levied after December 31, 2015

# Revenue Administration

**HB 33**      Short Title: **Appropriate money for new or expanded mental health crisis intervention**

Primary Sponsor: Ron Ehli

Bill Description: HB 33 reduces the Entitlement Share Pool by \$1,049,904 in FY 2016 for the purposes of providing funding for the expansion of mental health crisis intervention and jail diversion services.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: July 1, 2015

Applicability Date(s): n.a.

**HB 52**      Short Title: **Revise electronic signature authority**

Primary Sponsor: Mary Ann Dunwell

Bill Description: Before passage of this bill, the MCA gave the department authority to accept electronic signatures on electronically-filed returns for taxes in specific chapters of Title 15. The list of taxes included most taxes the department administers but excluded the bentonite tax, the hospital facility utilization fee, the intermediate care facility utilization fee, and the electrical generation tax. This bill gives the department blanket authority to accept electronic signatures for all the taxes it administers in Title 15.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: This bill was effective on passage and approval.

Applicability Date(s): n.a.

**HB 359**     Short Title: **Revise laws related to inflation indexing of income taxes**

Primary Sponsor: Ed Lieser

Bill Description: HB 359 adjusts the inflation factor calculation for individual income tax.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): This bill applies to tax years beginning after December 31, 2015.

**HB 396**     Short Title: **Revise laws related to small business impact analysis**

Primary Sponsor: Donald W Jones

Bill Description: HB 396 removes the July 1, 2015 termination date in 2-4-111, MCA. This statute requires agencies to complete small business impact analyses prior to adopting administrative rules.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): n.a.

**SB 6**     Short Title: **Clarify department of revenue's uniform dispute review procedures**

Primary Sponsor: Fred Thomas

Bill Description: Current law states that a taxpayer has a right to have the department consider alternative dispute resolution methods. SB 6 amends current law to say a taxpayer has a right to request alternative dispute resolution methods.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): n.a.

**SB 18**      Short Title: **Revising the time frame for the calculation of the entitlement share growth rate**

Primary Sponsor: Dick Barrett

Bill Description: SB 18 changes the date in which the department is to calculate the growth rate for the Entitlement Share Payments from October 1 for the current fiscal year to October 1 for the next fiscal year.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): n.a.

**SB 51**      Short Title: **Require sharing of debt offset and collection information.**

Primary Sponsor: Senator Dick Barrett

Bill Description: This bill was brought by the sponsor on behalf of the Department of Commerce. SB 51 requires the Department of Revenue to provide, upon written request, the Department of Commerce with information regarding a taxpayer whose debt is assigned to the Department of Revenue for offset or collection under state law. The bill was amended to apply corporate taxpayers as well as individual taxpayers, since Commerce provides loans and grants to businesses as well as individuals.

The bill restricts use of this information by Commerce to the purposes of preventing and detecting fraud or abuse and determining eligibility for grants or loans. Commerce must provide a copy of a release of information form signed by the taxpayer to the Department of Revenue with the written

request. The Collections Bureau, DOR, will be responsible for providing the requested information. The bill has no impact on DOR costs or revenues.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: Effective upon passage and approval.

Applicability Date(s): The bill became law on February 27, 2015.

**SB 95**      Short Title: **Revise laws related to multi-state tax compact advisory council**

Primary Sponsor: Christine Kaufmann

Bill Description: Under current law, the director of revenue must appoint an advisory council to comply with the Multistate Tax Compact. SB 95 clarifies that the director of revenue shall appoint an advisory council when local subdivisions are affected by the Multistate Tax Compact.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$0	\$0	\$0	\$0

Effective Date: October 1, 2015

Applicability Date(s): n.a.

**SB 312**      Short Title: **Generally revise USB laws.**

Primary Sponsor: Senator Mike Phillips

Bill Description: The 1999 legislature established the Universal System Benefits (USB) program (HB 377) after deregulation of Montana's electric and natural gas industries in 1997. At that time there were projects being conducted by utilities that were considered to have benefits for all Montanans and the USB program was developed in order to continue these efforts. The funding mechanism for USB program is through a surcharge on each utility customer's bill. The surcharge is collected by the utilities and used to fund the utility's internal USB program.

Customers identified as “large customers” (averaging over 1,000 kV per month during the prior calendar year) and having internal projects that meet the intent of the USB statutes, can apply to have their project costs reimbursed by the utility from their USB electric charges. The reimbursement can extend over multiple years if the project costs are greater than their annual USB contributions.

In exchange for the reimbursement, large customers must file annual reports on their qualifying projects with the Department of Revenue (DOR). DOR must provide notice to the public that the reports are available for review, and if there is a challenge to the use of the funds by a member of the public, DOR must review the challenge. DOR has rules in place for the filing process, notice and challenges (see ARM 42.29.101-112).

A 2014 performance audit report by the Legislative Auditor found that a number of large customers receiving reimbursements for their internal USB projects did not file a report with DOR as required under state law. SB 312 addresses some issues discussed in the performance audit concerning the part of the USB program that DOR administers.

SB 312 requires the annual summary report by the electric utilities to the Energy and Telecommunications Interim Committee (ETIC) and DOR to also include information on all large customers who received a reimbursement from the utilities for USB related expenditures during the previous reporting year.

The bill requires the ETIC review the annual USB reports provided by utilities in accordance with statute and compare those reports with the reports provided by large customers to DOR and identify any large customers who have not reported as required under state law. The bill establishes penalties for large customers who fail to file a report as required by state law, of not less of \$1,000, or more than \$5,000. Any penalties collected are to be deposited in the universal low-income energy assistance fund. No penalties may be imposed until the DOR has provided notice to the utility or large customer of the failure to file a timely report under state law; and another 20 business days has elapsed and DOR has still not received the report.

The Department will use the Gentax system to process the penalty payments and also use this system to link these payments to SABHRS.

To add the payment processing for the USB program to the department’s processing system is an estimated one-time cost of \$42,000. The cost is based on six weeks of programming time.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
(\$42,000)	\$0	\$0	\$0

Effective Date: Upon passage and approval.

Applicability Date(s): Applies to reports filed on or after March 1, 2016.

**SB 405**      Short Title: **Establish the Montana Health and Economic Livelihood Partnership Act**

Primary Sponsor: Edward Buttrey

Bill Description: SB 405 creates the Health and Economic Livelihood Partnership Act to expand health care coverage to additional eligible individuals and improve access to health care services across Montana. SB 405 further establishes a health care coverage program to provide certain low-income Montanans with access to health care services using Medicaid funds and an arrangement with a third party administrator, while requiring premiums and copays payable by the program participants. This bill proposes to use federal matching funds to provide for state savings through FY 2017, with the state portion of funding being capped at no more than 10% of benefit costs in years beyond this analysis. The bill further provides for integrity fees and workforce development provisions.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$9,375,706	\$2,149,405	-\$10,102,070	-\$17,063,196

Effective Date: Upon approval by the U.S. Department of Health and Human Services of waivers and approvals necessary to provide Medicaid-funded services to eligible individuals. Sections 11 and 21 of the bill are effective upon passage and approval.

Applicability Date(s): Anticipated in FY 2016

## Revenue-related Research and Resolutions

HJ 21	<p><b>Interim study on ownership of personal information</b>  <i>Sponsor:</i> Bryce Bennett  <i>Description:</i></p> <p>The proposal for the study specifically mentions medical, health and pharmaceutical information, data on shopping and purchases, location and geographic data, and personal and on-line data. The interim committee assigned the study is to complete it and provide any findings and recommendations to the legislature by September 15, 2016.</p> <p><i>Fiscal Impact to General Fund:</i> None</p>
HJ 27	<p><b>Joint resolution for interim study of statutory appropriations</b>  <i>Sponsor:</i> Brad Tschida  <i>Description:</i></p> <p>HJ 27 directs the legislative finance committee to study what a statutory appropriation is and how one is established, identify those that do not meet the conditions of 17-1-508, MCA, determine the success of statutory appropriations as compared to programs funded through the general appropriations act, and identify future legislation.</p> <p><i>Fiscal Impact to General Fund:</i> None</p>
SJ 20	<p><b>Interim study on historic road right-of-way acquisition</b>  <i>Sponsor:</i> Bruce Tutvedt  <i>Description:</i></p> <p>This legislation requires the Legislative Council to designate an appropriate committee to review challenges counties encounter in identifying roads on state trust land, determining the legal status of the roads, and paying full market value for road rights-of-way on state trust land.</p> <p><i>Fiscal Impact to General Fund:</i> None</p>
SB 128	<p><b>Establish decennial school funding study</b>  <i>Sponsor:</i> Kris Hansen  <i>Description:</i></p> <p>SB 128 establishes a school funding interim commission that would conduct a study of the educational needs and costs of public education in the state. The commission would be formed to conduct a study at least once every 10 years.</p> <p><i>Fiscal Impact to General Fund:</i> FY 2016: \$47,086  FY 2017: \$31,391</p>

# DOR-Sponsored Legislation

## Passed Legislation.

<b><u>Bill Number</u></b>	<b><u>Title</u></b>	<b><u>Description</u></b>
HB 50	Equal treatment of licensees under liquor control penalty laws	See HB 50 in the Liquor and Tobacco Tax Section.
HB 52	Revise electronic signature authority	See HB 52 in the Revenue Administration Section.
HB 56	Revising subdivision classifications for Ag land valuation	See HB 56 in the Property Tax Section.
HB 67	Remove WSJ as source for oil prices	See HB 67 in the Natural Resource Tax Section.
HB 114	Revise tax increment finance district remittance laws for schools	See HB 114 in the Property Tax Section.
HB 122	Clarify the requirements for Ag employees wage withholding	See HB 122 in the Individual and Corporate Income Tax Section.
SB 54	Provide taxpayers with additional access to confidential sales price information	See SB 54 in the Property Tax Section.
SB 62	Revise the reporting dates for per capita livestock fees	See SB 62 in the Miscellaneous Taxes and Fees Section.
SB 91	Revising laws related to reciprocal tax collection	See SB 91 in Individual and Corporate Income Tax Section.

**Other Department Legislation - Did not pass.**

**SB 167**    Short Title: Update tax haven laws.

Primary Sponsor: Senator Dick Barrett

Bill Description: SB 167 proposed revisions to the criteria related to the water's edge election for corporate income taxes by changing the list of countries considered tax haven jurisdictions. It also allowed affected taxpayers to rescind their prior water's edge election if they chose. The bill was estimated to increase general fund revenue by about \$1.2 million per year.

Impact on State General Fund:

FY2016	FY2017	FY2018	FY2019
\$1,171,000	\$1,171,000	\$1,171,000	\$1,171,000

Effective Date: n.a.

Applicability Date(s): n.a.